LICENSEE

News & Updates from the Virginia Department of Alcoholic Beverage Control, Summer 2012, Issue 18.3

If You Serve It, They Will Come

VIRGINIA'S craft brewery industry is in the national spotlight. Travel Channel writer Jimmy Im recently included the Commonwealth in his list of "Top 7 Beer Destinations" and suggested readers head to these places "that are fast becoming beer scene kings that offer some of the best suds in town."

Celebrating those suds on July 25 at Legend Brewing Co. in Richmond, the Governor's office, Virginia Tourism Corporation, Virginia Manufacturer's Association (VMA) and Virginia Craft Brewers Guild gathered to kickoff the inaugural Virginia Craft Beer Month. VMA President Brett Vassey, who was on hand to laud the accomplishments of Virginia's craft breweries, recently reflected on how the Guild launched as an affiliate of the VMA just 20 months ago. "This is a unique group of entrepreneurs with an interesting connection to tourism," Vassey said. "The more we started working with the craft beer industry, we realized we had a perfect alignment of common interests so it was a natural progression to help the Guild grow."

He said one of the most exciting elements of the industry is the passion craft brewery customers exhibit. "Generally people don't travel to a factory to see things manufactured and most of our manufacturers aren't set up to host tours of their operations. However, it's part of the craft brewery culture to open their doors and invite people to see how they make their products. We're somewhat amazed, and very excited, that patrons will travel to see and taste this experience."

For these beer lovers, and to assist those who are at the beginning of the artisanal



Legend Brewing Co. hosted the kickoff event for the inaugural Virginia Craft Beer Month. Photo credit: Sarah Hauser. Virginia Tourism Corporation.





Mike Killelea, chairman, Virginia Craft Brewers Guild, discusses the impressive growth of the craft brewery industry in Virginia. Photo credit: Sarah Hauser. Virginia Tourism Corporation.

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Licensee is a quarterly publication for licensees of the Virginia Department of Alcoholic Beverage Control (ABC).



Virginia ABC is one of 14 state law enforcement agencies under the Office of Public Safety.





Governor Bob McDonnell



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LETTER FROM ENFORCEMENT



s summer begins to wind down, academic Acampuses and communities across the commonwealth are gearing up for the return of college students. Licensees welcome the influx of students and the additional business they bring, however, with this comes an increased responsibility on seller and servers.

Virginia law states that no licensee shall sell to or allow the consumption of any alcoholic beverage by any person under the age of 21 years. This includes a person the licensee may have reason at the time to believe is underage. Insisting on proper identification is the key here.

How familiar are your sales clerks and wait staff with the Virginia driver's license? It's the most

common form of ID to be presented upon request.

How familiar are your sales clerks and wait staff with the Virginia driver's license? It's the most common form of ID to be presented upon request.

How about out-of-state IDs? What about other forms of ID? Bona fide evidence of legal age may include a valid driver's license issued by any state or the District of Columbia, armed forces IDs, a valid special identification card issued by DMV, or any valid identification issued by any other federal or state government providing such identification contains a photograph and signature of the subject, with the subject's height, weight and date of birth. Contrary to the opinion of many students, college and university ID cards are not an acceptable form of ID.

Have your managers and staff taken our Managers' Alcohol Responsibility Training (MART) and Responsible Sellers & Servers Virginia's Program (RSVP) classes? They're free and they help licensees understand Virginia's alcohol laws, rules and regulations, including proper identification.

With more than 17,000 licensees across the state, underage college students in search of alcohol have plenty of places to attempt to make an illegal buy.

Thank you for continuing to partner with us in keeping those who are under 21 alcohol free in your place of business.

—Director Shawn Walker

DON'T MISS IN THIS ISSUE! ...

CRAFT BREWERIES ACROSS VIRGINIA (MAP), PAGES 4-5

Virginia's craft beer industry generates jobs, revenue opportunities and refreshment! This map depicts Virginia craft breweries through July.

ENFORCEMENT BRIEFS, PAGE 7

An overview of some recent activities of the Virginia ABC Bureau of Law Enforcement, including initiatives against Bath Salts and Synthetic Marijuana, Foxfield Races, and cooperative enforcement efforts between licensees and Virginia ABC.

Licensees Afforded Top Notch Service from Hearings Division



In a perfect world, there would be no licensee violations. Everyone would abide by ABC rules and regulations.

But it's the real world and stuff happens. Licensees make underage sales. They "forget" to fill out and submit the annu-

al report which documents food and liquor sales. And, yes, sometimes, they sell liquor they're unauthorized to sell. Each of these activities is a violation which leads to an ABC judicial hearing.

Annually ABC's Hearings and Appeals Division processes more than 1,000 violations discovered by the agency's special agents. However because of an efficient consent settlement process and a unique dispute resolution system, less than 40 percent of these violations result in actual disciplinary hearings, said Robert O'Neal, chief administrative law judge. This is good news for both licensees and the agency.

Not every state can boast this same level of service to its licensees. O'Neal and his staff of 15 clerks and administrative law judges have developed a well honed administrative hearings division that O'Neal says is due, in part, to unique certifications he's earned in dispute resolution and administrative law adjudication.

He recently completed the requirements for certificates in dispute resolution skills, where he obtained training and coursework as a professional mediator, and in administrative law adjudication skills, where he studied administrative law court management. His coursework was at the University of Nevada's National Judicial College (NJC).

Nationally since 2008 only 36 judges have received the certificate for dispute resolution skills and only 32 have received the certificate in administrative law adjudication. O'Neal is one of only 11 judges nationwide to hold this dual certification.

ABC is reaping the benefits of O'Neal's training as a skilled mediator. In the past several years the number of licensee cases settled without administrative hearings has increased from 5 percent (in FY 2002) to 63 percent (in FY 2012.)

"Licensees are a part of the administrative judicial process," said O'Neal. "When they [licensees] can help craft their own solution under the Virginia administrative process act, the outcome benefits not only that licensee but other [licensees] in that our agency is able to give more personal service to those who do come to hearings."

From an administrative standpoint, O'Neal has implemented a more professional court management system. ABC's hearings and appeals division analyzes all cases that are eligible for settlement offers before the hearing date. "If a licensee is not eligible (for a settlement) we contact them with information to submit an offer in compromise." O'Neal's division also offers dispute resolution on every contested violation case—nearly 75 each year, he said.

For franchise rights cases and contested applications O'Neal's division appoints a judge to act as a neutral third party to ensure both parties have equal opportunities to discuss legal options for settlement other than litigation. O'Neal said 85 percent of franchise rights cases are settled without a hearing.

More good news for everyone, considering some cases can run for days. O'Neal recalled a case in 2006 that required a seven-day hearing with more than 150 exhibits and 1,200 pages of transcripts. The typical case takes less than a day.

O'Neal's NJC training also led him to expanding ABC's judicial web presence. Various pages on the agency's website define key terms, explain the hearings process, list suggested penalties for first offenses and post upcoming dockets. This greater web presence provides more comprehensive resources for licensees.

As ABC's chief administrative law judge since 2001, O'Neal oversees hearings for all administrative infractions and violations, processing applications for ABC licenses opposed by citizens or government entities and providing a neutral forum for resolution of franchise disputes. He also oversees the appeals processes and provision of legal support services to the ABC Board. ◆

Regulations Review Update: NOIRA

An Article in the Winter 2012 edition of this newsletter ("Interested in ABC Laws and Regulations? Make Your Voice Heard") announced a complete review of ABC regulations. ABC is pleased to announce its regulations review process is on track and moving forward.

After gathering recommendations from the public, prevention community, alcohol industry representatives and other key stakeholders, a Notice of Intended Regulatory Action (NOIRA) is available for review at www.townhall.virginia.gov. The revisions were also published July 30 in the Virginia Register of Regulations.

A 30-day public comment forum opened July 30 on the "town hall" website. At the conclusion of the public comment period, the ABC Board will consider all comments received, and draft proposed regulations for review by the Virginia attorney general, department of planning and budget, secretary of public safety, and the governor's policy office.

"Later this fall, once administration approval has been received, the Board will publish the proposed regulations and a 60day public comment period will follow," said ABC Chief Operating Officer Curtis Coleburn. "The Board will then consider all public comments received, and take final action on the regulations."

A Notice of Intended Regulatory Action (NOIRA) is available for review at www.townhall.virginia.gov. The revisions were also published in the Virginia Register of Regulations.

Final regulations will be published once they have been forwarded to the administration for review, and approved by the Governor's office. The regulations will become effective 30 days after publication. Taking into account the reviews and public comment periods, the new regulations are expected to be in place in 2013. •

CRAFT BREWERIES ACROSS VIRGINIA

Virginia's craft beer industry generates jobs, revenue opportunities and refreshment! This map depicts craft breweries through July. Most of these breweries have a tasting room or restaurant, and many offer tours of their facilities. Check them out!



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brew learning curve, the Virginia tourism office created a new, interactive map on www.Virginia.org/craftbeer. Each brewery on the map is represented by a beer mug icon. As visitors click on each location, it provides the address, website, contact information and description of the craft brewery and the beer it serves.

The VTC knows driving tourism is interdependent on different segments of the travel, entertainment and hospitality industries. Their interactive maps (for craft breweries and farm wineries) allow users to drill into specific areas and discover additional attractions. Similarly, Mike Killelea, chairman of the Virginia Craft Brewers Guild and former brewer at Legend, acknowledged the important relationship between craft brew-

eries and the greater licensee community. "Without the support of specialty shop, restaurant and market owners who carry our products, we don't exist as a thriving industry," Killelea said. "Speaking on behalf of our Guild members, we love getting out to shops to do tastings, and to restaurants for pairing dinners. These events allow us to promote our beer and generate business for those who invite us in."

River City Cellars is a niche market in Richmond that regularly hosts beer and wine tastings. David Garrett and Peter Neff are on staff at the shop that carries craft brews from Richmond's Hardywood Park, Devil's Backbone in Nelson County and Blue Mountain Brewery in Afton. They're looking forward to product from

O'Connor Brewing Company in Norfolk becoming available soon.

Garrett said they're always seeking to add to their offerings but almost all new craft breweries can't meet demand. Neff noted this is a good, and intelligent, problem for a brewery to have: "It's smart that they're testing the waters and aren't expanding so quickly that they compromise quality."

Garrett agreed. "People do care about buying local," he said. "But the first question is: 'Is it a good product?'"

The answer has overwhelmingly been "yes." Garrett said while Virginia is later to the game than some other states, the Commonwealth has a very educated customer base. This is in part due to the large home brew community in the state. As discerning as the customer base is, Virginia craft breweries are meeting, and exceeding, high expectations. "A lot of the breweries



2012 MART & RSVP FALL SCHEDULE

September (RSVP)

9/6, Lynchburg Lynchburg Regional ABC

Office, 20353-A Timberlake Rd., 9 a.m.-12 p.m.

9/12, Wytheville

Wytheville Community College, Grayson Hall Commons, 1000 East Main St., 9 a.m.-12 p.m.

9/13, Roanoke

Roanoke Regional ABC Office, 2943-D Peters Creek Rd., 1-4:30 p.m.

9/19, Chesapeake

Chesapeake Regional ABC Office, 1103 South Military Hwy., (two sessions) 9 a.m.-12 p.m. & 1-4 p.m.

9/19, Richmond

Brown Distributing, 7986 Villa Park Dr., 1-4 p.m.

9/26. Alexandria

Alexandria Regional ABC Office (Fairfax County), 6308 Grovedale Dr., (two sessions) 9 a.m.-12 p.m. & 1-4 p.m.

9/26, Hampton

Old Dominion University / Peninsula Higher Education Center, 600 Butler Farm Rd., 9 a.m.-12 p.m.

9/27, Winchester

Winchester Moose Lodge, 215 East Cork Street, 9 a.m.-12 p.m.

October (MART)

10/2, Charlottesville

Va. Dept. of Forestry, Fontaine Research Park, 900 Natural Resource Dr., Ste 800, first floor, 10 a.m.-4 p.m.

10/2, Lynchburg

Lynchburg Regional ABC Office, 20353-A Timberlake Rd., 9 a.m.-3 p.m.

10/9, Big Stone Gap

Mountain Empire Community College, Goodloe Center, 3441 Mountain Empire Road, 9 a.m.-3 p.m.

10/11, Roanoke

Roanoke Regional ABC Office, 2943-D Peters Creek Rd., 8:30 a.m.-1:30 p.m

10/17, Chesapeake

Chesapeake Regional ABC Office, 1103 South Military Hwy., 9 a.m.-3 p.m.

10/17, Richmond

Brown Distributing, 7986 Villa Park Dr., 10 a.m.-4 p.m.

10/24, Alexandria

Alexandria Regional ABC Office (Fairfax County), 6308 Grovedale Dr., 10 a.m.-4 p.m.

10/31, Hampton

Old Dominion University / Peninsula Higher Education Center, 600 Butler Farm Rd., 9 a.m.-3 p.m.

REGISTER FOR RSVP & MART CLASSES TODAY!

RSVP and MART are unique training programs for sellers & servers (RSVP) and managers

& owners (MART) of Virginia's licensed establishments—all sessions are taught by ABC

special agents. Register online via ABC's website (www.abc.virginia.gov) and receive

automatic email confirmation, directions to the training site and parking instructions. Follow us on Twitter for the latest training news! For more information, please visit the

website, email education@abc.virginia.gov or call (804) 213-4571.

November (RSVP)

11/13, Abingdon

Abingdon Regional ABC Office, 102 Abingdon Place, 9 a.m.-12 p.m.

11/14, Farmville

South Street Conference Bldg., 124 South St., 1-4 p.m.

11/14, Chesapeake

Chesapeake Regional ABC Office, 1103 South Military Hwy., (two sessions) 9 a.m.-12 p.m. & 1-4 p.m.

11/14, Richmond

Brown Distributing, 7986 Villa Park Dr., 1-4 p.m.

11/14, Staunton

Staunton Regional ABC Office, 460 Commerce Square, 1-4 p.m.

11/15, Roanoke

Roanoke Regional ABC Office, 2943-D Peters Creek Rd., 1 p.m.-4:30 p.m.

11/28, Alexandria

Alexandria Regional ABC Office (Fairfax County), 6308 Grovedale Dr., (two sessions) 9 a.m.-12 p.m. & 1-4 p.m.

11/28, Hampton

Old Dominion University / Peninsula Higher Education Center, 600 Butler Farm Rd., 9 a.m.-12 p.m..

INDUSTRY MATTERS

Inventory Best Practices

by Charlie Lintecum, Tax Audit Supervisor

TERE are some best practice techniques for inventory, primarily applicable to wholesalers and manufacturers.

Approach

- Determine the objective of performing the physical inventory count to:
 - establish a balance of a specific date for reporting.
 - monitor the accuracy of inventory records.
 - ensure the availability of inventory to meet operation needs.
 - identify excess or obsolete inventory
- Evaluate your inventory system in regards to its ability to:
- maintain accurate item balances on a current or periodic basis.
- maintain balances by item location.
- Evaluate the existing control environment of the inventory system and processes to ensure transactions are properly executed and recorded.

Frequency of Counts

- · Identify segments of inventory and assess their risk to determine the degree of control needed based on:
- activity or turnover.
- dollar value.
- items susceptible to theft.
- Select a frequency of count based upon the assessed risk or control needed, such as daily, weekly, monthly, quarterly.
- Determine a method of counting, such as:
- sequentially by row or area within the warehouse.
- random selection.
- weighted selection toward higher dollar value or higher activity.

QUICK REMINDER

Licensees are required to report to ABC any changes in officers, directors, shareholders, partners or members within 30 days of any such change. Failure to comply can result in ABC violations.

IDEAS & COMMENTS

If you have an issue or question you'd like addressed in this newsletter, please email pubrel@abc.virginia.gov or call (804) 213-4413. We're eager to receive your ideas and comments.

Blind Counts

- A blind count refers to a physical inventory where the counters do not have knowledge of or access to the on-hand quantities in the inventory system.
- Counters are provided with product

(continued on facing page)

information (code, size, location, etc.) but not quantity information. If the blind count matches on-hand quantity, there is a high level of confidence that both the count and the record are accurate.

 Blind counts are the most accurate and reliable counts. If on-hand quantities are provided to the counters, there is a risk that the counters will not actually count the items, but visually conclude that it agrees with the recorded quantity and accept this as the inventory count.

Evaluate Count Results

- Measure the results of the physical count using performance measures:
- calculate accuracy rate.
- summarize the number and dollar amount of adjustments, errors, miscounts, etc.
- track and analyze error frequency.
- · Communicate the results of the inventory to counters, management, and warehouse personnel.
- Modify policies and procedures to make necessary changes in the count process.

If you have any questions or for more information on best practices, please contact tax.audit@abc.virginia.gov. The Tax Audit Team will be glad to assist you! ◆

"If You Serve It" (continued from page 5)

The VMA estimates that the craft beer industry could double in the next decade. "Oregon, North Carolina and some states in New England have been doing this a little longer but we're catching up quickly," Vassey said.

The Virginia Craft Brewers Guild encourages seeking out beers that are brewed in Virginia and, overall, the VMA hopes to make Virginians more aware of where products are made and how this contributes to the Commonwealth's economy.

ABC's Board shares this dedication to supporting partnerships with licensees and highlighting locally-made products. See the map on pages 4-5 for a listing of all craft breweries in Virginia and the sidebar on page 4 for recent visits made by Commissioner Bryan Rhode. •

www.abc.virginia.gov

ENFORCEMENT BRIEFS

Compiled by Lori Catlett-Shaffer, Bureau of Law Enforcement

Legal Does Not Mean Safe

ABC Enforcement in Roanoke is partnering with local, state and federal law enforcement agencies, Commonwealth Attorneys, prevention groups and other alliances to address the rapidly growing threat of Bath Salts and Synthetic Marijuana (K2/Spice). While state and federal laws make some of these designer drugs illegal, legislation is slow and doesn't keep pace with constantly changing formulas—so many designer drugs are still sold and purchased legally. When ingested these drugs create a euphoric state or high, similar to illegal narcotics, and pose serious health risks. Licensees, parents, children and the public as a whole are reminded to be careful with these substances—just because they are legal does not make them safe.

Compliance Rates Up

Hampton agents believe increased participation of licensees and their employees at MART and RSVP training programs has directly impacted compliance rates. While conducting more than 75 underage buy checks at both on- and off-premise licensed establishments in Hampton, special agents had only three sales. Needless to say, they're very pleased.

Five Felony and 32 **Misdemeanor Arrests**

Assisted by Norfolk Police, special agents from the Chesapeake ABC office executed a search warrant at a Norfolk residence and made a total of five felony and 32 misdemeanor arrests. Approximately 2.26 ounces of cocaine, 30 grams of marijuana, three firearms, \$8,539.88 in U.S. currency, 14 bottles of liquor, one bottle of moonshine and 186 beers were seized. The street value of the cocaine was nearly \$7,400 and the street value of the marijuana was nearly \$300.

Off to The Races

Nineteen special agents partnered with Virginia State Police and Albemarle County Police to patrol the annual Foxfield Races in Albemarle County. Of the 61 charges filed that day, 37 were filed by ABC agents.

Most charges were for underage possession of alcoholic beverages, possession of false ID's and public intoxication.

Licensees Benefit from **Cooperative Enforcement Fffort**

Alexandria regional office special agents joined with local agencies throughout the region to monitor ABC licensed activities. Working with the city and county police departments, zoning/code enforcement and fire marshal's offices, agents conduct inspections/observations of licensed restaurants to ensure compliance with ABC laws/regulations as well as compliance with the specific jurisdiction's codes and regulations. This cooperative effort allows licensees the opportunity to work with both ABC and their local departments to better understand what is expected of them in their business operations.

Eight-month Investigation Shuts Down Marijuana Operation

Special agents from the Lynchburg office and Virginia State Police executed search warrants at locations in the City of Lynchburg and town of Brookneal. These warrants resulted from a joint, eight-month investigation of an indoor marijuana grow operation. Agents seized a quarter-pound of processed marijuana, several smoking devices and cash at the Lynchburg residence. Growing equipment valued at \$3,000 and 122 marijuana plants were seized at the Brookneal residence. The plants had an estimated street value of \$427,000. Charges are pending against an individual who was leasing both residences during the investigation.

ABC CRIMELINE

To report a crime relating to any ABC laws, please call ABC's Enforcement CRIMELINE: (866) 437-3155. Or use the "Violation Complaint Form," available online at www.abc.virginia.gov.



2901 Hermitage Road P.O. Box 27491 Richmond, VA 23261-7491

www.abc.virginia.gov

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LICENSEE Q&A

- Q. A customer purchasing alcohol, when asked for proof of age, presents the sales clerk with an expired Virginia driver's license and a receipt from DMV stating the new license was in the mail. Is this considered a valid ID?
- A: Yes, as long as the receipt (pictured right) is an original with a recent date. Virginians renewing driver's licenses or ID cards can keep their old licenses or ID cards to carry with the DMV-issued temporary driving permit or receipt, until they receive the new license or ID card in the mail, usually within a week. For security, new Virginia licenses and ID cards are produced in a centralized facility with sophisticated equipment that produces the credentials with state-of-the-art security features such as laser engraving, micro-lettering and a secondary photo window.

www.abc.virginia.gov



An example of a temporary driver's permit issued by DMV. To be valid, it must be signed and stamped and the owner must also present an old license or ID card.

TIED HOUSE REMINDER

Virginia ABC regulations prohibit a retail licensee from employing any person engaged in the manufacturing, bottling or wholesaling of alcoholic beverages in any capacity. They also prohibit any manufacturer, bottler or wholesaler from employing any person engaged in the retail sales of alcoholic beverages in any capacity. This does not apply to persons working for banquet licensees, farm winery licensees or off-premises winery licensees. (3VAC 5-30-20)

For example, a secretary who works for a wholesale beer and wine distributor also works part-time as a bartender for an ABC-licensed private club. Even though she does not sell wine or beer for the wholesaler in her secretarial role, Virginia ABC regulations still prohibit her from working for both the wholesaler and the retail licensee. (She must choose one or the other.)

—Sr. Special Agent George Stockhowe